



United States Department of State

Washington, D.C. 20520

UNITED STATES DEPARTMENT OF STATE
BUREAU OF POLITICAL-MILITARY AFFAIRS
WASHINGTON, D.C. 20520

In the Matter of:

THE BOEING COMPANY

Washington

Respondent

CONSENT AGREEMENT

WHEREAS, the Office of Defense Trade Controls Compliance, Directorate of Defense Trade Controls ("DDTC"), Bureau of Political-Military Affairs, U.S. Department of State ("Department") has notified The Boeing Company (the "Respondent") of its intent to institute an administrative proceeding pursuant to the Arms Export Control Act ("Act") (22 U.S.C. § 2751 et seq.) and its implementing regulations, the International Traffic in Arms Regulations ("Regulations") (22 C.F.R. pts. 120-130), based on allegations of violations of Section 38 of the Act and Part 127 of the Regulations arising from activities of Boeing Commercial Airplanes ("BCA") involving the unauthorized exports of a defense article, as set forth in the Draft Charging Letter attached hereto and incorporated by reference, herein;

WHEREAS, the Respondent wishes to dispose of all civil charges, penalties and sanctions arising from the Draft Charging Letter by entering into this Consent Agreement;

WHEREAS, the Respondent has reviewed the Draft Charging Letter and this Consent Agreement, fully understands these documents and enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, the Department and the Respondent agree to be bound by this Agreement and a related administrative order ("Order") (attached) to be entered by the Assistant Secretary of State for Political-Military Affairs.

Now, WHEREFORE, the Department and the Respondent agree as follows:

Parties

(1) The Parties to this Agreement are the Department and the Respondent and its business units engaged in the manufacture and/or export of defense articles and defense services controlled on the U.S. Munitions list.

Jurisdiction

(2) The Department has jurisdiction over the Respondent under the Act and the Regulations in connection with the matters identified in the Draft Charging Letter.

Penalty

(3) The Respondent agrees that it shall pay in fines a civil penalty of fifteen million dollars (\$15,000,000.00) in complete settlement of alleged civil violations pursuant to Section 38 of the Act as set forth in the Department's Draft Charging Letter. This amount shall be paid within 10 days after the signing of the Order in the manner directed by the Department. Respondent agrees that the payments made pursuant to this Agreement (a) will be treated as expressly unallowable costs under the Federal Acquisition Regulations and will not be reimbursed or sought to be reimbursed, directly or indirectly, in cost or price of any federal prime contract, grant or subcontract; and (b) will not be taken as a federal tax deduction.

Debarment

(4) The Respondent has acknowledged the seriousness of the violations cited in the Draft Charging Letter (which include unauthorized exports of defense articles to proscribed and other countries), expresses regret for these activities and its willingness to make amends by paying the cash penalty referenced in paragraph (3) above and implementing the significant remedial compliance actions specified in this Consent Agreement. For these reasons, the Department has determined that seeking an administrative debarment of Respondent based on the violations in the draft Charging Letter is not appropriate at this time. The Department reserves the right to consider imposing additional sanctions, including debarment under the Regulations, against the Respondent or any subsidiary or other affiliate, if it does not fulfill the provisions of this Consent agreement or is responsible for other compliance or law enforcement concerns under the Act or other statutes in §120.27 of the Regulations.

Designation of Defense Articles

(5) Respondent and its subsidiaries or other affiliates acknowledge and accept the authority delegated to the Department by the President of the United States under Executive Order 11958. This authorization pursuant to section 38 of the Arms Export Control Act (AECA) (22 USC 2778), authorizes the Department to designate what is a defense article or a defense service and that the Regulations require written authorization before such articles are exported regardless of whether the underlying defense article is used in a commercial system or product. Respondent further acknowledges that the Regulations, through the Commodity Jurisdiction (§120.4) process, is the only official mechanism by which questions regarding jurisdiction and categorization may be addressed.

Appointment of a Special Compliance Official and Other Remedial Compliance Measures

(6) The Respondent shall appoint a qualified individual from outside the corporation to serve as a Special Compliance Official. The term, authorities, and responsibilities of this official are described in the Annex of Compliance Measures attached to this Consent Agreement.

Respondent shall strengthen BCA's compliance policies, procedures and training. The Respondent shall retain an outside firm to conduct an audit of BCA's implementation of the Consent Agreement and Annex of Compliance Measures. The audit will also assess the overall effectiveness of the Respondents AECA/ITAR compliance programs to include its oversight of business units involved in AECA/ITAR regulated activities.

On-site Audits

(7) For the purpose of assessing compliance with the provisions of the Act, the Regulations, this Consent Agreement, and future munitions licenses and other authorizations issued by the Department, Respondent agrees to arrange and facilitate, with minimum advance notice, on-site audits by the Department for three years commencing on the date of the signing of the Order of itself, its wholly owned subsidiaries and such other affiliates as it may control that are covered by the Respondent's registration under the Regulations.

Understandings

(8) No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, when entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein, except as otherwise noted. Respondent acknowledges and accepts that there is no understanding expressed or implied through this Agreement with respect to a final decision by the Department of State concerning its interest in the approval of export licenses or other U.S Government authorizations necessary to past, pending or future munitions license applications. The Department agrees, assuming the Respondent's faithful adherence to the terms of this Agreement, that decisions concerning future applications for export licenses and other authorizations involving the Respondent and its affiliates will be made on the basis of the national security and foreign policy interests of the United States and without reference to the facts alleged in the Draft Charging Letter and the Department's previously expressed concerns regarding the Respondent's reliability,

which are considered to be appropriately mitigated through the faithful operation of this Consent Agreement.

(9) The Parties agree that this Agreement is for settlement purposes only. For purposes of this Agreement, the Respondent neither admits nor denies the allegations in the Draft Charging Letter (including without limitation those set forth in the "Relevant Facts" and "Charges" section of that letter). That said, the Respondent acknowledges the nature and seriousness of its disregard for the Regulations and the regulatory authority of the Department as well as the violations alleged in the Draft Charging Letter and wishes to make amends through the payment of a civil penalty referenced in paragraph (3) above, and also through enhancements to the corporate compliance program to prevent any future actions such as those addressed in the Draft Charging Letter. If this Consent Agreement is not approved pursuant to an Order entered into by the Assistant Secretary for Political-Military Affairs, the Department and the Respondent agree that they may not use this Agreement in any administrative or judicial proceeding and that none of the parties shall be bound by the settlement terms contained in this Agreement in any subsequent administrative or judicial proceeding.

(10) The Department agrees that, upon signing of the Order and entry into force of this Agreement, this Agreement resolves with respect to the Respondent any civil penalties or sanctions imposed with respect to violations of Section 38 of the Act or the Regulations alleged in the Draft Charging Letter or arising from facts that the Respondent has disclosed in writing to the Department or that have been identified in the Draft Charging Letter.

Waiver

(11) The Respondent agrees that, upon signing of the Order and entry into force of this Consent Agreement, it waives all rights to seek any further procedural steps in this matter, including an administrative hearing pursuant to Part 128 of the Regulations (except with respect to any alleged violation of this Consent Agreement or Order). The Respondent also waives all rights to seek administrative or judicial review or to otherwise contest the validity of this Consent Agreement, the Order, including in any action that may be brought for the

enforcement of any civil fine, penalty or forfeiture in connection with this Consent Agreement or Order.

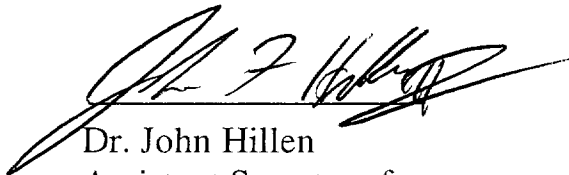
Documents to be Made Public

(12) The Respondent understands that the Department will make this Agreement, including the Annex of Compliance Measures, the Draft Charging Letter and the Order, when entered, available to the public.

When Order Becomes Effective

(13) This Consent Agreement shall become binding on the Department only when the Assistant Secretary for Political-Military Affairs approves it by entering the Order, which will have the same force and effect as a decision and Order issued after a full administrative hearing on the record.

U.S. Department of State

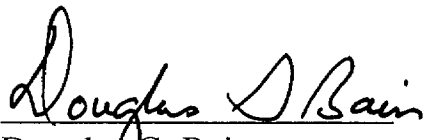


Dr. John Hillen
Assistant Secretary for
Political-Military Affairs

MAR 28 2006

(Date)

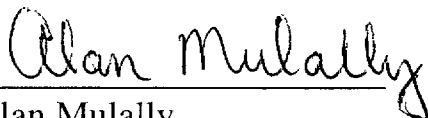
The Boeing Company



Douglas G. Bain
Senior Vice President &
General Counsel, The Boeing Company

March 22, 2006

(Date)



Alan Mulally
President & CEO, Boeing Commercial Airplanes
Executive Vice President, The Boeing Company

3/21/06

(Date)

Annex of Compliance Measures

The Boeing Company, reflecting its commitment to conduct its business in full compliance with the Arms Export Control Act (the "Act") and the International Traffic in Arms Regulations (the "Regulations"), and in order to ensure that there is no unauthorized export of ITAR-controlled defense articles agrees to implement the following remedial measures and such additional measures as may be mutually agreed upon by The Boeing Company and the Director, Office of Defense Trade Controls Compliance (DTCC). These measures will be in effect for a period of three (3) years, except where otherwise noted and formal closure shall necessitate a letter from DTCC documenting the conclusion of this Agreement.

The Boeing Company

(1) This is the fourth Consent Agreement the Boeing Company has entered into with the Department since September of 1998. In the three previous agreements a total of almost 9 million dollars in penalties were allocated back to Boeing by the Department for use in remedial compliance measures. Compliance organization restructuring, Law Department oversight, strengthened compliance procedures, document control procedures, compliance training, employee hotlines, and audits were predominate remedial compliance measures required of Boeing through the past Consent Agreements. In each instance the Department believed that the compliance measures utilized by Boeing would be evaluated by Boeing as to their effectiveness and that "Best Practices" would be integrated throughout the Boeing Company. However, under these agreements Boeing has instituted improvements that appear to have only addressed violations within the individual business units that were involved.

(2) Therefore, within 120 days of signing this Order, the Boeing Company will create a senior management position reporting to the Vice President Global Trade Controls, Office of Internal Governance, responsible for ITAR compliance issues across all of Boeing's business units to ensure consistency in such matters and the application of lessons learned and best practices related to ITAR compliance. This person shall be responsible for insuring the existence of, and overseeing

the operation of, a company-wide comprehensive export compliance program. This individual will be the authority for setting direction and establishing priorities with respect thereto. Specific responsibilities will include: identification and communication of regulatory requirements; direction, approval and monitoring of the development and deployment of the process, tools and training necessary to address those requirements; assessments of overall compliance; direction, approval and monitoring of implementation and management of corrective actions; ensuring application of best practices across the corporation but not limited to measures undertaken pursuant to consent agreements with the Department; and, ultimate resolution of issues arising with respect to export compliance.

(3) The Boeing Company shall provide DTCC with a copy of the Position Description for this senior manager and the company wide notification creating and implementing this management position's control, responsibilities, and compliance oversight throughout The Boeing Company's business units.

(4) The person filling this position at The Boeing Company shall provide annual reports to the Director, DTCC, for the duration of the Consent Agreement, on the overall state of ITAR compliance within the Boeing Company. The report will provide specifics on what Boeing is doing to ensure AECA/ITAR compliance within the company, what the individual business units are doing to achieve the same, and the status of actions under each Boeing Consent Agreement. The report will provide evaluations on the compliance measures being used and which of those can be considered a "Best Practice." It is expected that all compliance measures that are evaluated as "Best Practices" will be put into use, if not already in use, at all Boeing business units that are involved in AECA/ITAR regulated activities to include BCA. During the term of this Agreement, this senior manager also must meet no less than quarterly with the SCO referenced in paragraph (5) to discuss any significant compliance issues or trends with regard to AECA/ITAR compliance for The Boeing Company as a whole.

Appointment of a Special Compliance Official (SCO)

(5) Boeing shall, with the concurrence of the Director, DTCC, appoint a qualified individual from outside of Boeing and its affiliates, to serve as a Special Compliance Official (SCO) for a minimum term of two (2) years to be succeeded by an individual from inside the corporation who will serve for an additional one (1) year, in both instances reporting to Boeing's Senior Vice President, Office of Internal Governance (OIG), and the Director, DTCC as set forth herein. The date of transfer from outside SCO to inside SCO will be subject to Boeing's progress in implementing this Consent Agreement, including this Annex of Compliance Measures, and will be decided upon subject to the concurrence of the Director, DTCC with input from the outside SCO and Boeing.

(6) The outside SCO shall not have been employed in any prior capacity by or previously represented Boeing, or any of its affiliates, past or present, and, as a condition of appointment as SCO, shall agree to forsake for all time any such future employment or representation. The appointment shall be made within thirty (30) days of the signing of the accompanying Order unless agreed to by the Respondent and the Director, DTCC prior to or at the time of settlement. The appointment shall be subject to written approval of the Director, DTCC.

(7) The SCO shall have three (3) principal areas of responsibility regarding the future conduct of The Boeing Company:

(a) Monitoring BCA's ITAR export compliance program with specific attention related to the following areas associated with the offenses alleged in the Draft Charging Letter:

1. Policies and procedures for early identification and exclusion of defense articles from among new components/parts proposed or under consideration for use on commercial aircraft;
2. Policies and procedures for resolving issues regarding whether a product is ITAR or EAR controlled that complies with §120.3 and §120.4 of the ITAR (Commodity Jurisdiction);
3. Policies and procedures for obtaining export authorizations if, notwithstanding the intended exclusion of defense

- articles from commercial aircraft stated in 7(a)(1), a defense article is found to have been mistakenly included as a component/part on a commercial aircraft;
4. Policies and procedures for all ITAR regulated activities carried out by BCA. These policies and procedures should cover the use of defense articles in commercial aircraft and it should also address and apply to other Boeing entities that BCA utilizes in any aspect of the design, manufacturing, assembling, etc. functions;
 5. Incorporating ITAR compliance as an element of all of BCA's management business plans at the senior executive level.

(b) Overseeing the paragraph (15) audit of BCA's implementation of the compliance measures called for in the Consent Agreement and this Annex of Compliance Measures, The Boeing Company's corporate oversight of AECA/ITAR compliance for all affected businesses, and of BCA and The Boeing Company's performance of its responsibilities under the Agreement and accompanying Order in a timely and satisfactory manner as required by this Agreement and the accompanying Order, and

(c) Monitoring all AECA/ITAR-regulated activities of BCA, to include those AECA/ITAR-regulated activities that BCA has other Boeing entities perform, for the period covered by this consent Agreement.

(8) Both The Boeing Company and BCA acknowledge and accept their obligation to ensure that they have and continue to maintain effective export control oversight, infrastructure, policies and procedures for the AECA/ITAR-regulated activities of BCA, to include those shared Boeing entities utilized by BCA that may also be involved with defense articles/defense services.

(9) The SCO may also be requested to perform additional export oversight, monitoring and coordination of activities as agreed by Respondent and the Director, DTCC.

(10) In fulfilling the responsibilities set forth in this Consent Agreement, the SCO may at his/her sole discretion present any disagreement with Boeing's employees or management involved in ITAR regulated activities directly up through the Boeing management chain to any or all of Boeing's Senior Vice President, Office of Internal Governance, BCA's President & CEO, the Senior Vice President & General Counsel, the CEO of Boeing, and if no satisfactory resolution is reached to the Director of DTCC.

(11) The Senior Vice President, Office of Internal Governance, will brief the Audit Committee of the Board of Directors (which is responsible for oversight of management's implementation of internal financial controls under Sarbanes Oxley) at least annually concerning any findings and recommendations by the SCO, the Company's response and implementation of the same, and the status of ITAR compliance generally within The Boeing Company.

(12) The Boeing CEO shall consent to and notify the Board of Directors of the following terms and conditions regarding the powers, duties, authority, and responsibilities of the SCO:

(a) The SCO shall have the power and authority to monitor BCA's (including those shared Boeing entities utilized by BCA) compliance with the terms of this Consent Agreement and accompanying Order and shall exercise such power and authority and carry out the duties and responsibilities of the SCO as set forth herein in a manner consistent with the purpose of this Consent Agreement, the specific terms and conditions of munitions license applications and other authorizations falling within the parameters of clause (7)(c), above, provided to BCA by the Department of State, and shall do so in consultation with DTCC.

(b) Within fifteen (15) days after approval by DTCC of the person nominated by Boeing to serve as outside SCO, Boeing shall hire and appoint that person to the position of SCO and shall empower him or her with a written delegation of authority and statement of work, approved by DTCC, to permit him or her to monitor, oversee and promote BCA's and The Boeing Company's ITAR compliance with the terms of this Agreement in a manner consistent with the purpose of this Agreement

and the Order, and specific terms and conditions, pertinent munitions license authorizations and other activities subject to the Regulations and the Act.

(c) The Outside SCO shall serve for a minimum of a two (2) year period from the date of his or her appointment. If for any reason the appointed SCO is unable to serve the full period of his/her appointment, Boeing's Senior Vice President, Office of Internal Governance, may recommend a successor acceptable to the Director, DTCC, the latter's agreement to the replacement to be confirmed and provided in writing. Such recommendation shall be made at least thirty (30) days in advance of a new appointment. If the SCO for any reason is unable to carry out the responsibilities described herein on a temporary basis (i.e., not to exceed thirty (30) days), then Boeing's Corporate Vice President, Contracts & Pricing, shall assume the power and authority of SCO in the interim. The conferring of rights and powers described in paragraph (b) above shall make provision for this event. Within eighteen months of appointment, the SCO, after consultations with Boeing, shall recommend a Boeing employee to serve as successor SCO acceptable to Boeing and the Director, DTCC, who shall serve for the remaining one (1) year period. The successor SCO shall be fully empowered and capable of performing the responsibilities of the SCO.

(d) The SCO shall have full and complete access to BCA's personnel, books, records, documents, facilities and technical information relating to compliance with this Consent Agreement, order and pertinent munitions authorizations, licenses, guidance and the like relating to the export of defense articles and defense services associated with BCA programs consistent with legal requirements and limitations (e.g. pertaining to classified information and employee privacy rights).

(e) BCA shall cooperate with any reasonable request of the SCO, including any request for assistance to obtain any necessary security clearances, and shall take no action to interfere with or impede the SCO's ability to monitor BCA's compliance with this Agreement, the Act and the Regulations or to carry out his/her other responsibilities set forth in this Agreement.

(f) The SCO, with BCA's consent, which shall not be unreasonably withheld, shall have the authority to employ, at the expense of BCA, such assistants and other professional staff as are reasonably necessary to carry out the SCO's duties and responsibilities up to two full time equivalents.

(g) DTCC may, on its own initiative or at the request of the SCO, issue such guidance as may be necessary or appropriate to ensure strict compliance with the Regulations and the terms and conditions of authorizations DDTC has provided to BCA.

(h) The SCO shall provide reports to the President & CEO of BCA, the Senior Vice President, OIG, the Senior Vice President and General Counsel of Boeing, as well as to the Director, DTCC, concerning BCA's compliance with this Agreement and Order, as well as with such other pertinent (i.e., covered by clause (7)(c) above) U.S. Government munitions authorizations, licenses, guidance and the like then in force pertaining to BCA's ITAR regulated activities. These reports shall include conclusions and any recommendations necessary to ensure strict compliance with the Act and Regulations; state whether the SCO has encountered any difficulties in exercising the duties and responsibilities assigned herein; describe any and all instances of ITAR non-compliance without waiving BCA's ability to submit voluntary disclosures; and advise on progress in implementing previous recommendations advanced by the SCO. These reports may, in a separate annex, also include any relevant comments or input by Boeing's Vice President, Global Trade Controls. The reports shall be provided:

- Every ninety (90) days for a period of six months from the date of the signing of the Order; and
- Semi-Annually thereafter during the remainder of the SCO's period of appointment.

Strengthened Compliance Policies, Procedures, Training

(13) BCA's compliance policies and procedures will be improved and strengthened with the intent of preventing the export of defense articles except in compliance with the Regulations, as provided in paragraph

number (5) of the Consent Agreement. To this end, any new product shall be reviewed as developed; Commodity Jurisdiction determinations with respect to new products under Section 120.4 of the Regulations and shall be requested in appropriate circumstances, e.g. to clarify uncertain regulatory status.

(14) Within 180 days of the signing of the Order, The Boeing Company shall have reviewed and instituted strengthened export compliance policies, procedures and training focusing primarily on BCA and those shared Boeing entities utilized by BCA. The draft training materials shall be submitted to the SCO for his or her review and comments if any. BCA shall ensure that by the 180th day:

(a) All employees involved in AECA/ITAR-regulated activities of BCA, to include all BCA employees engaged in exports, procurement, sales, engineering, product design and information technology matters, and those employees of shared Boeing entities utilized by BCA, are familiar with the AECA and ITAR, BCA's policies and procedures for compliance with the AECA/ITAR and those shared Boeing entities utilized by BCA responsibilities under AECA/ITAR;

(b) All persons responsible for supervising those employees and all officers and other senior managers of BCA and those shared Boeing entities utilized by BCA, are knowledgeable about the underlying policies and principles of the AECA and the ITAR and BCA's policies and procedures;

(c) There are records maintained of the names of employees and other personnel trained, trainers, and area of training received (e.g. determination of what is a U.S. origin defense article, including technical data, and when and how a Commodity Jurisdiction determination is obtained) and copies of training materials used.

Audit

(15) No later than eighteen (18) months after the signing of the Order, The Boeing Company, in coordination with the new compliance manager and the SCO, shall retain an outside firm to commence an audit and assessment of the overall effectiveness of The Boeing Company's

AECA/ITAR compliance program to include its compliance oversight of all its business units that are involved in AECA/ITAR regulated activities. The audit and assessment shall be divided into two parts:

(a) One part of the audit will assess BCA's implementation of all measures set forth in the Consent Agreement and this Annex of Compliance Measures, with primary focus on those undertaken to address the problems illustrated in the Draft Charging Letter, the policies, procedures and training established for BCA and those shared Boeing entities utilized by BCA, and such other areas as may be identified by the SCO or the Director, DTCC.

(b) The other part of the audit and assessment shall concentrate on The Boeing Company's corporate oversight of AECA/ITAR compliance for those Boeing business units that are involved in AECA/ITAR regulated activities, to include assessing the success of the senior manager referenced in paragraph (2) above in making consistent Boeing ITAR compliance disciplines across all business of Boeing responsible for manufacturing and exporting defense articles and in implementing best practices.

(16) The draft audit plan shall be submitted to the Director, DTCC for his review, comments and approval prior to the start of the audit.

(17) No later than the second anniversary of the signing of the Order, the outside firm that conducted the aforementioned audit and assessment of The Boeing Company's ITAR compliance program(s), shall prepare a report outlining the audit findings, and any recommendations for improvements. Boeing shall implement the audit's recommendations at BCA and those shared Boeing entities utilized by BCA. The SCO shall review and report on the implementation. In cases where Boeing disagrees with the audit's identification of a control weakness or the audit's recommended method for addressing this weakness, it shall notify the SCO and the SCO shall assess the matter and report to DTCC his concurrence or non-concurrence with Boeing's position. DTCC shall review this matter, its significance in light of the underlying violations and system weaknesses, as related to the matters addressed in this consent agreement, and determine the corrective actions that are necessary. Boeing shall ensure that BCA and those shared Boeing

entities utilized by BCA cooperate with the audit and implement recommended compliance program improvements.

(18) No later than thirty months after the signing of the Order, Boeing's senior compliance manager responsible for ITAR compliance, shall submit a report addressing the audit findings and recommendations as it relates to The Boeing Company's corporate oversight of the remaining Boeing business units that are involved in AECA/ITAR regulated activities to include what impact the new compliance manager position has had on Boeing compliance.

Certifications

(19) At the conclusion of the three (3) year term of this Consent Agreement, the Senior Vice President & General Counsel or Chief Executive Officer (CEO) or their successor(s) at The Boeing Company, shall submit to the Director, DTCC a written certification that all compliance measures set forth in the Consent Agreement have been implemented and that he or she has assessed Boeing's current ITAR compliance program and attest that it is adequate to identify, prevent, detect, correct and report violations of the AECA and the ITAR. Such certification shall specifically address compliance with paragraph (3) of the Consent Agreement.